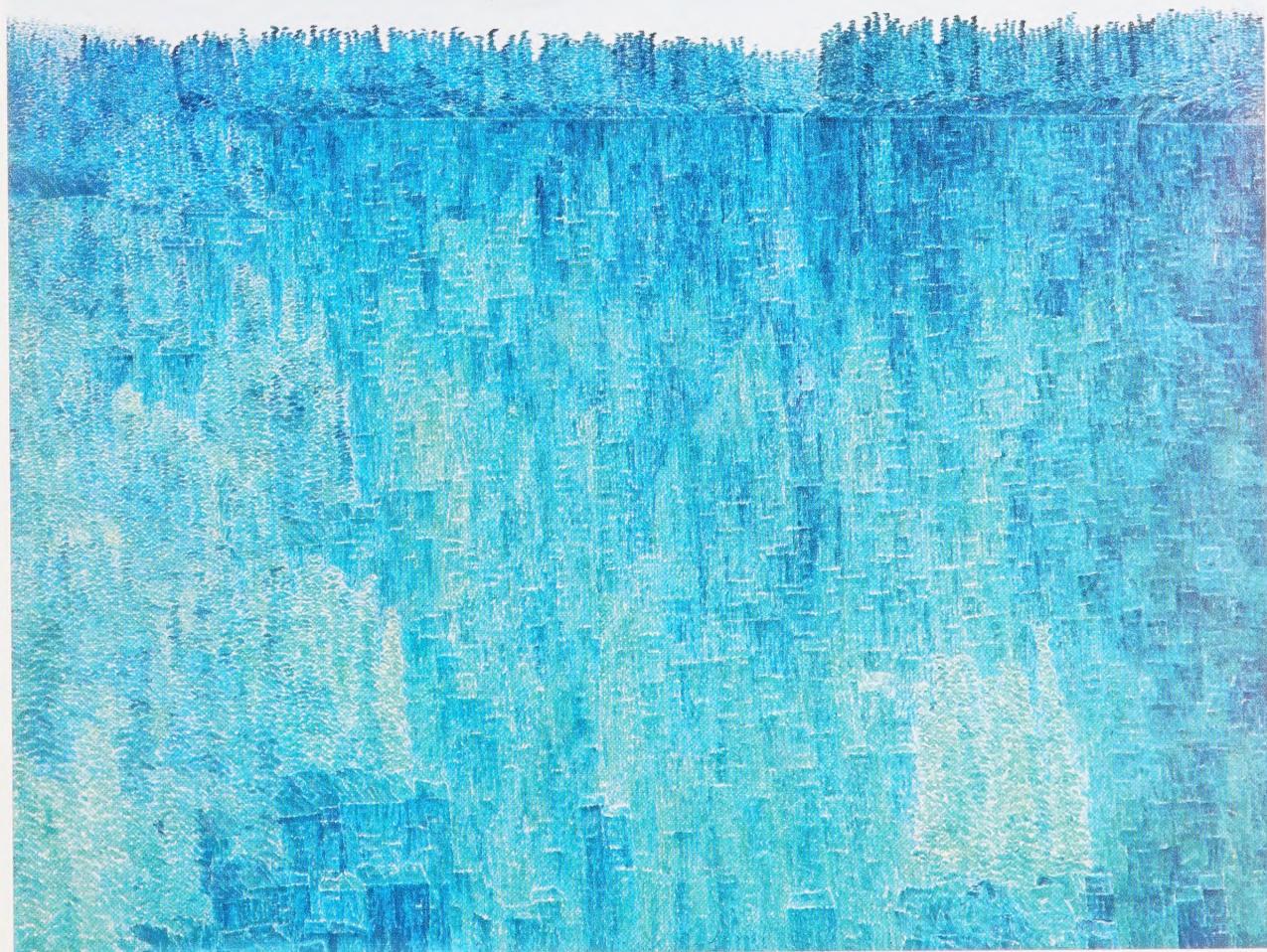


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THE IMPERIAL LIFE
ASSURANCE COMPANY
OF CANADA

REVIEW
FOR THE YEAR 1974

AR28



The picture reproduced on the front cover is in Imperial Life's collection of contemporary Canadian art. The painting, entitled Lake Reflections, is the work of Kazuo Nakamura. Mr. Nakamura was born in Vancouver and now lives in Toronto. He is also represented in the collections of the National Gallery of Canada, the Art Gallery of Ontario, the Department of External Affairs, Ottawa and the Museum of Modern Art, New York.

REVIEW OF 1974

The Imperial Life Assurance Company of Canada



Board of Directors

A. ROSS POYNTZ, F.C.I.A.
Chairman of the Board

G. KINGSLEY FOX, F.C.I.A.
President

PAUL DESMARAIS
*Vice-President and Chairman of the
Executive Committee of the Board*

JOHN B. W. CARMICHAEL
Toronto

FRANK E. CASE
Montreal

MAURICE GERMAIN
Montreal

J. DOUGLAS GIBSON, O.B.E.
Toronto

LAWRENCE G. GREENWOOD
Montreal

WILLIAM C. HARRIS
Toronto

SIR HENRY JOHNSON, K.B.E.
London, England

MAXWELL W. MACKENZIE, O.C., C.M.G., C.A.
Ottawa

THE HON. WALTER S. OWEN, Q.C.
Victoria

JEAN PARISIEN, C.A.
Montreal

T. O. PETERSON
Georgeville, Quebec

JOHN G. PORTEOUS, Q.C.
Montreal

RENAULT ST-LAURENT, Q.C.
Quebec

G. HARRY SHEPPARD
Toronto

W. DENT SMITH
Wilmington, Delaware

KENNETH R. THOMSON
London, England

DONALD J. WILKINS
Toronto

Imperial Life
Comparative Figures

| | 1974 | 1973 |
|---|----------------|----------------|
| New individual insurance sold - - - - - | \$ 636,651,000 | \$ 583,055,000 |
| New group life and annuities - - - - - | 325,484,000 | 299,770,000 |
| Total new insurance sold - - - - - | 962,135,000 | 882,825,000 |
| Annual premiums from new sales of individual life and health - - - - - | 10,830,000 | 10,254,000 |
| New single premiums - - - - - | 8,479,000 | 11,588,000 |
| New group insurance premiums - - - - - | 4,878,000 | 6,669,000 |
| ✓ Total new premiums - - - - - | 24,187,000 | 28,511,000 |
| ✓ Total insurance in force at year-end - - - | 4,963,307,000 | 4,286,669,000 |
| Death claim payments - - - - - | 15,571,000 | 13,480,000 |
| Dividends to policyholders - - - - - | 9,556,000 | 8,990,000 |
| Total payments to policyholders and beneficiaries - - - - - - - | 63,000,000 | 56,319,000 |
| ✓ Total premium income - - - - - | 98,389,000 | 91,550,000 |
| Income from net interest, dividends and rent after investment expenses - - - | 38,763,000 | 35,597,000 |
| Total assets including subsidiary companies - - - - - - - - - | 654,244,000 | 621,051,000 |
| Earnings per share - - - - - | 4.47 | 6.01 |
| Net interest rate earned - - - - - | 7.16% | 6.93% |

A Review of 1974

Our 77th Year

New Business

The volume of new life insurance and annuity business written in 1974 amounted to \$962,135,000, an increase of 9% over 1973. Included in this amount was \$636,651,000 on individual lives and \$325,484,000 from group life insurance and annuities.

New business on individual lives (including health insurance) produced yearly premiums of \$10,830,000 and single premiums of \$8,479,000. New group insurance sales accounted for premiums of \$4,878,000.

The pattern of new sales reflects a growing trend in favour of the traditional types of policies with guaranteed values and a diminished interest in equity-linked plans. There were significant increases in the year in new premium income from the sale of individual life plans, personal health insurance plans, group life insurance plans and group permanent (franchise) plans. In Great Britain, there was a substantial increase in the sale of group income replacement and pension contracts and, in the United States, group insurance products accounted for an increasing proportion of the new business written.

Business in Force

The year ended with \$4,963,307,000 of life insurance in force, including \$1,924,031,000 of group life insurance and annuities. Health insurance contracts in force at the end of the year had yearly premiums of \$12,692,000.

The \$5 billion mark in life insurance in force was passed early in 1975. To achieve the Company's first billion of insurance in force required 60 years. It took approximately one and a half years to add the fifth billion.

Income and Benefits

Total life and health account revenue in 1974, excluding segregated asset funds, amounted to \$124,491,000. This represents an increase over the previous year of 9%. The net increase in respect of segregated asset fund accounts, at \$6,162,000, was lower than in the preceding year due entirely to the decline in market values in 1974.

Benefit payments to policyholders and beneficiaries during 1974 amounted in aggregate to \$63,000,000. Mortality experience in the year was favourable. Death claims, at \$15,571,000, were slightly higher than in 1973.

Health claims' experience was less favourable than in 1973. Disability and health insurance claim payments amounted to \$8,429,000, an increase of 20%.

Surrender value payments, the other major component of policyholders' benefits, amounted to \$20,345,000. This was an increase of 11% over 1973.

The amount allocated to policyholders' dividends in 1974 was \$9,556,000. This allocation, which exceeded the previous year by 6%, provided for dividends paid during the year and the increase in the provision for dividends to be paid in 1975.

Investments

The year 1974 saw the distortions and stresses of uncontrolled inflation finally take their toll of the major world economies. The extra pressures of multiplying world petroleum prices, following the Arab oil embargo, disrupted the balance of payments and trade patterns for the oil importing nations. The further acceleration of inflation to double-digit figures brought about a serious decline in economic activity. The world now faces the problems of a deepening recession and governments have turned to expansionary monetary and fiscal policies to combat its effects. Inflationary forces, however, are still in evidence, particularly in the area of wage demands.

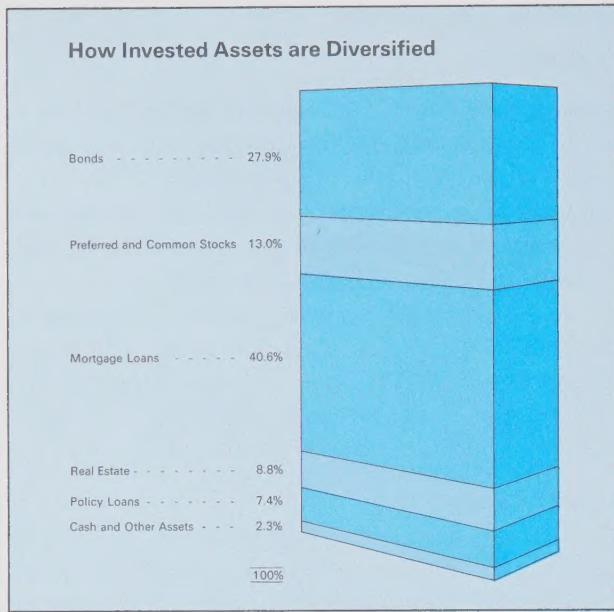
This unusual coupling of recession with inflation played havoc with investment markets. Interest rates rose sharply to new high levels and world stock markets suffered declines.

The most direct effect on the Company's investment flows was a further marked increase in demand for policy loans, especially in Canada. In all, 1974 saw more than \$15,150,000 in new loans to policyholders, with policy loan balances, after repayments, increasing by \$7,188,000.

The Company's available investment funds were also affected by the substantially higher termination payments, a reduction of funds on deposit and higher operating costs brought on by inflation.

Mortgages continued to claim the largest share of the Company's investment funds. More than \$38,000,000 was disbursed in new mortgage loans, primarily in Canada and the Bahamas. In 1974, mortgages held in the Company's general funds increased by \$12,644,000 while mortgages in segregated funds increased by \$6,360,000.

During the year, the Company introduced a very successful mortgage prepayment scheme in Canada which allowed borrowers a discount for prepayment



of lower interest rate loans. This produced over \$1,700,000 for reinvestment by the Company at the higher current rates of interest.

Bond investments rose \$3,942,000, primarily reflecting further debenture advances to Imperial Life's unconsolidated joint property development companies in Great Britain.

With stock markets in disarray virtually all year, additions to the Company's stock investments were limited to just over \$500,000. High cash reserve ratios were maintained throughout the year in the Company's various segregated equity funds and at the end of the year these funds held substantial buying reserves available for use when market conditions seem more appropriate.

The Company's net direct new investment in real estate in 1974 was approximately \$2,600,000. The real estate investment operations continued to produce satisfactory results in the year with the exception of Medical Inns of Canada Limited. This company was incorporated in 1971 to operate a real estate facility consisting of medical and dental suites, a hospital unit, paramedical support services and hotel facilities for patients and guests. Equity in the form of common shares was provided 52.28% by Imperial Life and 47.72% by a group of doctors and in the form of shareholder loans in approximately the same proportion.

The facilities became available for use late in 1973. The anticipated rate of growth in utilization was not achieved during 1974, placing in question the basic operating concept. In addition, the doctors who were in the founding group were unable to obtain a private

hospital license through the Ontario Ministry of Health. Various alternatives were explored without agreement or success.

On December 24, 1974, two minority shareholders filed a petition in bankruptcy against Medical Inns of Canada Limited in respect of their shareholder loans, which company on January 13, 1975 made a proposal under Part III of the Bankruptcy Act. This proposal was rejected at a meeting of creditors on January 31, 1975 resulting in bankruptcy. The Consolidated Financial Statements make full provision for the estimated decline in value of this investment.

The Imperial Life's consolidated assets increased by \$33,193,000 or 5.3% to a total of \$654,244,000. Included in the consolidated asset figure is an amount of \$69,783,000 representing the value of the Company's segregated funds. In the year, the value of these funds gained 18.1%. Part of this gain is represented by the transfer to segregated funds of the Company's liability for its Canadian staff pension plan, in the amount of \$6,400,000.

Funds available in the year for new investments amounted to \$67,900,000. Of this sum \$48,400,000 was in the Company's general funds and \$19,500,000 in the segregated funds.

The Company's net investment income from its general funds, in spite of the difficult conditions that prevailed in the year, increased by 8.9%. This brought the net investment yield to a new high level of 7.16%, an increase of .23% over 1973.

Earnings and Surplus

Income, after policyholders' dividends and taxes for the year, and before adjustment for the two extraordinary items noted in the following paragraph, amounted to \$438,000. The corresponding amount in 1973 was \$369,000.

During the year, settlement of tax accounts for prior years resulted in substantial recoveries amounting to \$1,925,000. Offsetting this addition to income is an amount of \$6,100,000 which has been set aside from the revenue for the year as a provision covering the estimated decline in value of the Company's investment in Medical Inns of Canada Limited. The net adjustment to income for these two items was a reduction of \$4,175,000, giving an operating loss for the year, on a consolidated basis, of \$3,737,000.

Earnings Per Share

The net income in the non-participating account and in the shareholders' account, after adjustment for the two extraordinary items, amounted to \$895,000 or \$4.47 per share. Earnings per share in 1973 were \$6.01.

Planning for Imperial's Future

During 1974, the Company's Management Committee set out a new Statement of Purpose, Philosophy, Objectives and Management Principles to serve as a basis for establishing future operating plans.

A strategic planning program was launched, based on these principles and identifying some of the general objectives of the Company in today's ever changing environment.

A number of activities were initiated immediately as a result of the establishment of this planning framework.

A Cost/Profit Research Committee is developing a more precise and informative basis for measuring performance and profitability of operations.

An analysis is under way of the various functions performed throughout the Company's offices to ensure that each is essential to overall corporate requirements and that time and staff are being utilized to the best advantage.

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More emphasis is being placed in human resource planning with the introduction of a new performance appraisal system which aids in identifying the advancement potential of personnel. Staff and management training programs are being updated and expanded. Job evaluation and staff administration systems are being improved.

A complete revision of staff and agent welfare benefits has been initiated including an upgrading of existing benefits and the introduction of new features. One of the objectives is to provide more benefit flexibility to fit the personal circumstances of each employee and agent.

The Company has taken a leading position in initiating a growing number of responsive actions to meet the increasing interests and concerns of consumers.

Policy cost data are now made available consistent with standards established by the industry, providing a common denominator for evaluating and comparing the costs of similar life insurance contracts issued by different insurers.

To those who say "We can't understand the policy you sold us," The Imperial Life is providing new policyholders with descriptive material which outlines in layman's language the salient features of the policy.

A "satisfaction or your money back" provision—usually covering a 10-day period following purchase—has been introduced by the Company, in which the client has an opportunity to ensure his contract is satisfactory, to seek independent advice if he chooses and to return the contract if it does not meet his requirements and receive full refund of any payments he has made.

A Consumer Affairs Bureau has been established to monitor the handling of communications from the public, from policyholders and from other clients, in situations where there is an indication of dissatisfaction or misunderstanding.

There have also been a number of innovations to improve two-way communications between Company personnel and management. These are proving to be popular and effective.

The problems and needs of life insurance clients are becoming increasingly complex. New regulations and new developments in the fields of taxation, employee benefits and estate planning have given emphasis to the importance of providing well-qualified advice and good service in the life insurance market. With this in mind, an expanded training program was initiated by the Company during the year to upgrade the technical knowledge of the sales organization and to increase its expertise in all aspects of life insurance and pension services. Sales representatives are given assistance in attaining professional qualifications and post-graduate training programs have been expanded in all areas of the Company's operation.

These programs will make an important contribution to improving the quality of performance and of service in the Company.

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THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA
 (Incorporated under the laws of Canada)
and subsidiary companies

Consolidated Balance Sheet as at December 31, 1974
(with comparative figures at December 31, 1973)

| ASSETS | 1974 | 1973 |
|---|------------------------|------------------|
| | (thousands of dollars) | |
| Bonds and debentures—at amortized cost (Note 2(ii)): | | |
| Government - - - - - | \$66,690 | \$69,044 |
| Municipal - - - - - | 9,256 | 11,077 |
| Corporate - - - - - | <u>84,833</u> | <u>\$160,779</u> |
| | <u>84,833</u> | <u>76,716</u> |
| | <u>\$160,779</u> | <u>\$156,837</u> |
| Preferred and common stocks—at cost (Note 2(ii)) - - - - - | 74,037 | 73,531 |
| Mortgages on real estate—at amortized cost - - - - - | 230,943 | 218,299 |
| Loans to policyholders, fully secured by the cash value of policies of this Company - - - - - | 42,371 | 35,183 |
| Real Estate (Note 3): | | |
| Properties under development—at cost - - - - - | 784 | 10,889 |
| Properties held for investment—at cost - - - - - | 44,035 | 31,536 |
| Home Office and branch office premises—at cost - - - - - | <u>15,525</u> | <u>15,286</u> |
| | <u>15,525</u> | <u>15,286</u> |
| | <u>60,344</u> | <u>57,711</u> |
| Less accumulated depreciation - - - - - | <u>10,283</u> | <u>50,061</u> |
| | <u>10,283</u> | <u>9,266</u> |
| | <u>50,061</u> | <u>48,445</u> |
| Segregated investment funds' assets—at market value (Note 4) - - - - - | 69,783 | 59,079 |
| Cash and certificates of deposit - - - - - | 10,006 | 15,554 |
| Premiums in course of collection - - - - - | 4,368 | 3,659 |
| Accrued investment income - - - - - | 6,002 | 5,642 |
| Other assets - - - - - | <u>5,894</u> | <u>4,822</u> |
| | <u>5,894</u> | <u>4,822</u> |
| | <u>\$654,244</u> | <u>\$621,051</u> |

On behalf of the Board

A. ROSS POYNTZ, *Chairman of the Board*

G. KINGSLEY FOX, *President*



LIABILITIES

| | 1974 | 1973 |
|---|------------------------|----------------|
| | (thousands of dollars) | |
| Present value of liabilities under assurance and annuity contracts (Note 5) - - - - - | \$423,159 | \$400,076 |
| Policy proceeds, dividends and other amounts on deposit - - - - - | 36,300 | 35,785 |
| Present value of liabilities under Company retirement funds (Note 6) - - - - - | 23,586 | 27,380 |
| Segregated investment funds' liabilities to policyholders | 69,783 | 59,079 |
| Provision for dividends to policyholders - - - - - | 9,627 | 9,120 |
| Policy claims in course of settlement and provision for unreported claims - - - - - | 11,953 | 9,349 |
| Bank loans and notes payable on real estate investments | 10,366 | 10,671 |
| Mortgages on real estate investments - - - - - | 3,138 | 3,479 |
| Income and premium taxes - - - - - | 786 | 467 |
| Other liabilities and provisions - - - - - | 10,922 | 6,584 |
| | <u>599,620</u> | <u>561,990</u> |

CAPITAL STOCK AND RETAINED EARNINGS

Capital Stock

| | | |
|---|------------------|------------------|
| Authorized—200,000 shares of \$5 par value | | |
| Issued—200,000 shares - - - - - | 1,000 | 1,000 |
| Shareholders' retained earnings - - - - - | 2,454 | 2,204 |
| Asset valuation, currency stabilization and business development reserves - - - - - | 12,327 | 15,327 |
| Retained earnings primarily for the protection of policyholders - - - - - | 38,843 | 40,530 |
| | <u>54,624</u> | <u>59,061</u> |
| | <u>\$654,244</u> | <u>\$621,051</u> |

THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA
and subsidiary companies

Consolidated Statement of Income for the year ended December 31, 1974
 (with comparative figures for 1973)

| | 1974 | 1973 |
|---|------------------------|-------------------|
| | (thousands of dollars) | |
| INCOME | | |
| Premiums (Note 7) - - - - - | \$ 98,389 | \$ 91,550 |
| Interest, dividends and rents after deduction of investment expenses (Note 8) - - - | 38,763 | 35,597 |
| Net realized capital gains - - - - - | 1,014 | 1,048 |
| Interest and dividends from segregated investment funds - - - - - | 4,984 | 3,304 |
| Net realized and unrealized capital gains (capital losses) on assets of segregated investment funds - - - - - | <u>(12,497)</u> | <u>(6,763)</u> |
| | <u>130,653</u> | <u>124,736</u> |
| THIS INCOME WAS USED FOR | | |
| Death claims - - - - - | 15,571 | 13,480 |
| Disability and health insurance claims - - - | 8,429 | 7,037 |
| Matured endowments - - - - - | 5,255 | 5,299 |
| Annuity benefits - - - - - | 3,844 | 3,258 |
| Surrender value benefits - - - - - | 20,345 | 18,255 |
| Additions to funds held for future payments to policyholders - - - - - | 23,403 | 25,483 |
| Additions to segregated investment funds - - - | 4,303 | 7,061 |
| Amounts credited to funds on deposit and Company retirement funds - - - - - | 4,280 | 3,924 |
| Commissions, branch office, agency and operating expenses - - - - - | <u>33,632</u> | <u>29,767</u> |
| | <u>119,062</u> | <u>113,564</u> |
| OPERATING INCOME - - - - - | 11,591 | 11,172 |
| Dividends to policyholders - - - - - | 9,556 | 8,990 |
| INCOME BEFORE TAXES - - - - - | 2,035 | 2,182 |
| Income and premium taxes - - - - - | <u>1,597</u> | <u>1,813</u> |
| INCOME AFTER TAXES - - - - - | 438 | 369 |
| Less: | | |
| Estimated decline in value of subsidiary company investment (Note 10) - - - | \$ 6,100 | |
| Recovery of prior years' taxes - - - - - | <u>(1,925)</u> | <u>4,175</u> |
| NET INCOME (LOSS) | | |
| Non-participating account - - - - - | (55) | \$ 309 |
| Shareholders' account - - - - - | <u>950</u> | <u>893</u> |
| *Non-participating and shareholders' account - - - - - | 895 | 1,202 |
| Participating life account - - - - - | <u>(4,632)</u> | <u>\$ (3,737)</u> |
| *Consolidated earnings per share (basis 200,000 shares) - - - - - | <u>\$ 4.47</u> | <u>\$ 6.01</u> |

THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA
and subsidiary companies

Consolidated Statement of Retained Earnings *for the year ended December 31, 1974*
 (thousands of dollars)

| | Appropriated | | | | Unappropriated | | | Shareholders | |
|---|-------------------------|--------------------------------|------------------------------|---------|----------------|-------------------|---------|--------------|---------|
| | Asset Valuation Reserve | Currency Stabilization Reserve | Business Development Reserve | Total | Participating | Non-Participating | Total | | |
| Retained earnings, beginning of year | - | \$10,676 | \$1,266 | \$3,385 | \$15,327 | \$32,160 | \$8,370 | \$40,530 | \$2,204 |
| Net Income (loss) for the year | - | - | - | | (4,632) | (55) | (4,687) | 950 | |
| Dividends to shareholders | - | - | - | | | | (700) | | |
| Transfer of business development reserve and currency stabilization reserve to asset valuation reserve | - | - | - | 4,651 | (1,266) | (3,385) | | | |
| Release of portion of asset valuation reserve | - | - | - | (3,000) | | (3,000) | 3,000 | 3,000 | |
| Retained earnings, end of year | - | \$12,327 | Nil | Nil | \$12,327 | \$30,528 | \$8,315 | \$38,843 | \$2,454 |

Auditors' Report

To the Policyholders and Shareholders of
 The Imperial Life Assurance Company of Canada

We have examined the consolidated balance sheet of The Imperial Life Assurance Company of Canada and subsidiary companies as at December 31, 1974 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the liabilities under assurance, annuity and company retirement fund contracts were determined and certified by the company's Actuary.

In our opinion, subject to the outcome of the matter referred to in note 10, based on our examination and the certificate of the Actuary, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations for the year then ended in accordance with accounting principles prescribed or accepted by the Department of Insurance of Canada applied on a basis consistent with that of the preceding year.

Toronto, Canada
 February 12, 1975

THORNE GUNN & CO.
Chartered Accountants

THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA

and subsidiary companies

Notes to Consolidated Financial Statements December 31, 1974

1. PRINCIPLES OF CONSOLIDATION

The Company follows the policy of consolidating the accounts of its subsidiary companies in the financial statements.

| <u>name of subsidiary</u> | <u>percentage of voting equity shares held</u> | <u>nature of business</u> |
|--------------------------------|--|-----------------------------|
| Impco Properties Limited | 100% | property investments |
| Impco Health Screening Limited | 100% | medical examination service |
| Medical Inns of Canada Limited | 52.28% | property investment |

2. ACCOUNTING POLICIES

- (i) The accompanying financial statements have been prepared in accordance with the requirements of the Department of Insurance of Canada, which basis is used for reporting in annual statements filed with the Department. The Department's requirements emphasize liquidity and solvency, and accordingly provide that:
 - (a) certain assets, such as office furniture and other non-admitted assets, are written off as expenses in the year acquired;
 - (b) the costs of acquiring new business are written off as expenses in the year incurred;
 - (c) the income tax charge against operations and the related liability are determined using the "taxes payable" method.
 - (ii) The bonds and stocks as shown are recorded at book values. The Canadian and British Insurance Companies Act permits an adjusted provision under section 71(4) (b) (ii) in a year in which market values are depressed. The adjustment effectively requires that a provision of one-third of the spread between book values and authorized values be provided by earmarking of retained earnings. The asset valuation reserve of \$12,327,000 is more than sufficient to meet this requirement.

| | 1974 | | 1973 | |
|----------------|---------------|-------------------|---------------|-------------------|
| | book values | authorized values | book values | authorized values |
| bonds - - - - | \$160,779,000 | \$134,241,000 | \$156,837,000 | \$139,604,000 |
| stocks - - - - | 74,037,000 | 67,625,000 | 73,531,000 | 91,465,000 |
| | \$234,816,000 | \$201,866,000 | \$230,368,000 | \$231,069,000 |

- (iii) Sterling block items are translated into Canadian dollars at \$2.34 and Jamaica items at \$1.10. United States, Bahamas and Bermuda dollars and Cuban pesos are translated at \$1.00. British Honduras and Trinidad and Tobago dollars are translated at \$.50. The asset valuation reserve is maintained to also cover fluctuations in exchange rates. There would be no material effect by translating at current rates of exchange at December 31, 1974.

3. REAL ESTATE

No depreciation was recorded on the properties under development. Depreciation on properties held for investment and home and branch office premises is computed on a straight-line basis ranging from 1½% to 2½% per annum.

4. SEGREGATED FUNDS

The liability to policyholders equals the net assets in each fund. The Consolidated Statement of Income includes all operating transactions of the segregated funds. The net assets of each fund amount to:

| | | 1974 |
|----------------------|-----------|--------------|
| group contract funds | | |
| Bond | - - - - - | \$ 2,360,000 |
| Equity | - - - - - | 7,916,000 |
| Mortgage | - - - - - | 20,765,000 |
| Mixed | - - - - - | 25,023,000 |
| | | 14,409,000 |

| | | |
|--|----------------------|----------------------|
| individual contract funds | 1974 | 1973 |
| Great Britain Growth - - - - - | \$ 8,016,000 | \$ 8,645,000 |
| Great Britain Pension Growth - - - - - | 1,581,000 | 764,000 |
| Impco Growth - - - - - | 1,059,000 | 1,384,000 |
| Impco Retirement Growth - - - - - | 3,063,000 | 3,133,000 |
| | <u>\$ 69,783,000</u> | <u>\$ 69,670,000</u> |

5. ACTUARIAL LIABILITIES

Liabilities for life insurance policies for financial reporting purposes are generally established and maintained on either the net level premium basis or the Canadian modified basis. Liabilities for individual health insurance are determined on a two-year preliminary term basis and for group health insurance on the basis of unearned premiums plus an additional reserve.

The actuarial liabilities by life and health amount to:

| | | |
|-----------------------------|----------------------|----------------------|
| life | 1974 | 1973 |
| participating - - - - - | \$301,000,000 | \$253,333,000 |
| non-participating - - - - - | 120,942,000 | 115,758,000 |
| health | | |
| individual - - - - - | 878,000 | 652,000 |
| group - - - - - | 339,000 | 332,151 |
| | <u>\$423,159,000</u> | <u>\$400,676,000</u> |

6. PENSION PLAN

The Company has contributory pension plans covering substantially all of its employees and branch managers and retirement benefit arrangements for its full-time agents. The total liability in all funds is made up as follows:

| | | |
|-----------------------------|----------------------|----------------------|
| general funds | 1974 | 1973 |
| active employees - - - - - | \$ 13,034,000 | \$ 18,356,000 |
| retired employees - - - - - | 10,552,000 | 10,552,000 |
| | 23,586,000 | 27,356,000 |
| segregated funds | | |
| active employees - - - - - | 6,420,000 | 6,420,000 |
| | <u>\$ 30,006,000</u> | <u>\$ 27,356,000</u> |

7. PREMIUM INCOME

Premium income was derived from the following lines of business:

| | | |
|--|----------------------|----------------------|
| participating individual life - - - - - | \$ 36,463,000 | \$ 34,457,000 |
| participating individual annuity - - - - - | 11,454,000 | 8,571,000 |
| non-participating individual life - - - - - | 11,613,000 | 11,245,000 |
| non-participating individual annuity - - - - - | 2,087,000 | 4,145,000 |
| group life - - - - - | 9,317,000 | 7,670,000 |
| group annuity - - - - - | 2,474,000 | 2,674,000 |
| personal health - - - - - | 1,323,000 | 1,667,000 |
| group health - - - - - | 9,983,000 | 7,472,000 |
| seggregated funds - - - - - | 13,675,000 | 13,675,000 |
| | <u>\$ 98,389,000</u> | <u>\$ 91,556,000</u> |

8. INTEREST, DIVIDENDS AND RENTS

The investment expenses deducted from investment income are:

| | | |
|---------------------------------------|---------------------|---------------------|
| general investment expenses - - - - - | \$ 2,762,000 | \$ 2,542,000 |
| real estate taxes - - - - - | 852,000 | 767,000 |
| depreciation - - - - - | 1,055,000 | 955,000 |
| | <u>\$ 4,669,000</u> | <u>\$ 4,264,000</u> |

9. SHAREHOLDERS' ACCOUNT

The transfer from the participating life account to shareholders' account is \$749,000 (1973—\$704,000) or 7½% of the distributions from the participating account as limited by section 84 of the Canadian and British Insurance Companies Act.

10. MEDICAL INNS OF CANADA LIMITED

Medical Inns of Canada Limited made a proposal to its unsecured creditors under Part III of the Bankruptcy Act as of January 13, 1975. This proposal was not accepted by a meeting of creditors held on January 31, 1975, thus resulting in its bankruptcy. Based upon the information available, the Company has estimated that the amount of \$6,100,000 shown in the Consolidated Statement of Income will fully provide for the decline in value of this investment.

Six-Year Review (dollar amounts in thousands)

| | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | | | | | | |
| Premiums - - - - | \$ 98,389 | \$ 91,550 | \$ 81,131 | \$ 76,277 | \$ 62,767 | \$ 59,147 |
| Interest, dividends and rents - - - - | 43,747 | 38,901 | 34,508 | 32,404 | 30,260 | 28,290 |
| Total paid or credited to policyholders and beneficiaries excluding dividends - - - - | 85,430 | 83,797 | 85,455 | 77,249 | 59,569 | 55,707 |
| Dividends to policyholders - - - - | 9,556 | 8,990 | 8,813 | 8,414 | 7,539 | 7,285 |
| Commissions, branch office, agency and operating expenses - | 33,632 | 29,767 | 24,357 | 22,929 | 20,656 | 19,937 |
| Dividends to shareholders - - - - | 700 | 640 | 560 | 510 | 480 | 480 |
| Total assets - - - - | 654,244 | 621,051 | 574,184 | 537,470 | 501,732 | 482,820 |
| Life Insurance in Force - \ | 4,963,307 | 4,286,669 | 3,770,815 | 3,306,376 | 3,107,109 | 2,757,791 |
| Net rate of interest earned \ | 7.16% | 6.93% | 6.66% | 6.54% | 6.38% | 6.22% |
| Earnings per share - - | \$4.47 | \$6.01 | \$5.44 | \$11.43 | \$2.20 | \$7.49 |
| Number of agents - - | 702 | 702 | 633 | 626 | 656 | 644 |
| Number of employees - - | 1,203 | 1,155 | 1,096 | 1,116 | 1,142 | 1,163 |

Summary of Capital and Retained Earnings at December 31 (thousands of dollars)

| | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|--------------------------------------|----------|----------|----------|----------|----------|----------|
| Appropriated | | | | | | |
| Participating Account | | | | | | |
| Asset Valuation Reserve - - - - | \$ 9,057 | \$ 8,332 | \$ 8,332 | \$ 8,332 | \$ 8,332 | \$ 3,445 |
| Currency Stabilization Reserve - - - | — | 925 | 925 | 1,580 | 1,230 | 1,230 |
| Business Development Reserve - - - | — | 2,800 | 2,810 | 2,810 | 2,810 | 3,610 |
| Non-Participating Account | | | | | | |
| Asset Valuation Reserve - - - - | 3,270 | 2,344 | 2,344 | 1,944 | 2,067 | 899 |
| Currency Stabilization Reserve - - - | — | 341 | 341 | 420 | 270 | 270 |
| Business Development Reserve - - - | — | 584 | 840 | 1,240 | 1,140 | 1,340 |
| Shareholders | | | | | | |
| Capital Stock - - - - - | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Retained Earnings - - - - - | 2,454 | 2,204 | 1,951 | 1,635 | 1,342 | 1,109 |
| Unappropriated | | | | | | |
| Participating Account | | | | | | |
| Life Retained Earnings - - - - - | 30,528 | 32,160 | 32,983 | 33,517 | 33,339 | 32,770 |
| Non-Participating Account | | | | | | |
| Life Retained Earnings - - - - - | 7,381 | 7,379 | 6,533 | 6,344 | 5,244 | 5,299 |
| Health Retained Earnings - - - - - | 934 | 992 | 1,273 | 1,254 | 998 | 748 |

Executive Officers

A. ROSS POYNTZ, F.C.I.A.

Chairman of the Board

President

PAUL DESMARAIS

Vice-President and Chairman of the Executive Committee of the Board

WILLIAM G. MUNRO, F.L.M.I.
Executive Vice-President

A. ROSS MacDONALD, F.C.I.A.
Actuarial Vice-President

DAVID M. MILLYARD, F.C.I.A.
Administrative Vice-President

JOHN B. PURDY, C.F.A., F.L.M.I.
Financial Vice-President

GRANT D. SYLVESTER, C.L.U.
Agency Vice-President

CHENTLE E. HUTCHINSON
Executive Officer—Group Insurance
H. R. HARRIS, F.C.I.A.
Director of Canadian Agency Operations
WALLACE R. JOYCE, F.C.I.A.
Executive Officer—Research
THOMAS A. MILBURN, F.C.I.A.
Executive Officer—Data Processing

JOHN J. BREITHAUPT
Executive Officer—Personnel
G. JAMES HUNTER, C.L.U.
Director of Group Sales
ANDREW S. LeMESURIER
General Counsel
WILLIAM L. STANLEY, F.L.M.I.
Director of Marketing Services

JAMES C. EMMETT, M.D.
Medical Director
GORDON H. JOHNSON, F.C.A., F.L.M.I.
Comptroller
JOHN H. McMEEKIN, C.F.A., F.L.M.I.
Treasurer
E. HAROLD WYKES
Secretary and Counsel

In Great Britain

CLIFFORD T. HACKETT

Vice-President and General Manager for Great Britain

JOHN A. KEMPTON
Assistant General Manager for Great Britain

ERIC A. PERCIVAL
Resident Secretary

J. NIGEL SCOTT, F.I.A.
Resident Actuary

Other Officers

DONALD C. F. AKEHURST
Agency Administrative Officer
D. LORNE BLECKER, F.C.I.A.
Associate Actuary
ALAN R. BRERETON, F.C.I.A.
Associate Actuary
WILLIAM R. BROWN, F.L.M.I.
Associate Administrative Officer
A. BRUCE BROWNE, F.L.M.I.
Group Administrative Officer
DONALD BURNS
Sales Development Officer
W. DALE COSBURN, F.C.I.A.
Group Actuary

RONALD V. BALL, F.L.M.I.
Assistant Agency Administrative Officer
WALTER C. BARCLAY, C.L.U.
Assistant Advanced Marketing Officer
D. WALLACE BARR
Premises Officer
DOUGLAS R. BELL, F.L.M.I.
Assistant General Counsel
J. PAUL CAIRNS, C.L.U.
Assistant Superintendent of Agency Operations
DOUGLAS C. COOKE, C.A., F.L.M.I.
Assistant Comptroller
WILLIAM A. COPELAND
Property Management Officer
DANIEL M. FLEMING, M.D., D.P.H.
Associate Medical Director

L. KEITH DEEPROSE, F.L.M.I.
Associate Data Processing Officer
W. D'ARCY DOLAN
Public Relations Officer
R. LEWIS DUNN, F.C.I.A.
Associate Actuary—Group Insurance
NORMAN A. FORAN
Associate Director, U.S. Agencies
MICHAEL A. HALE, F.C.I.A.
Associate Actuary
F. MURRAY HALL, M.D., F.R.C.P. (C)
Associate Medical Director
RANDAL W. N. KENNY, C.A., F.L.M.I.
Associate Comptroller
ROBERT W. HAIG
Assistant General Counsel
WILLIAM J. HILL, F.L.M.I.
Administrative Systems Officer
R. GARTH HUTCHINSON, F.C.I.A.
Systems Programming Officer
WAYNE R. MAXWELL, F.L.M.I.
Assistant Agency Administrative Officer
BRYCE K. McBAIN
Field Office Administrative Officer
ALAN D. McCONNELL
Assistant Administrative Officer
A. DAVID McFARLANE, F.C.I.A.
Assistant Actuary—Group Insurance
MISS MARY T. MEGAFFIN
Personnel Officer
PETER F. MEIER
Resident Solicitor (G.B.)

ROBERT G. LEWTHWAITE, C.L.U.
Quality Control Officer
JOHN D. OGDEN, C.L.U.
Advanced Marketing Officer
JOSEPH J. PIETROSKI
Associate General Counsel
GLENN R. SWANICK, F.C.I.A.
Associate Actuary—Group Insurance
W. ALAN TEETER, C.L.U.
Superintendent of Agency Operations
PETER M. WALTER, C.F.A., F.L.M.I.
Associate Treasurer
A. MARTIN N. WILSON, C.A.
Associate Comptroller

JEAN-LOUIS MELANSON
Assistant Investment Officer
JOHN E. MORRISON, F.L.M.I.
Data Systems Officer
KENNETH C. RIVERS, A.C.I.S.
Assistant Administrative Officer
DONALD R. ROBERTS, F.L.M.I.
Data Systems Officer
BRUCE G. SAUNDERS, S.R.E.A.
Real Estate Development Officer
WAYNE E. SINCLAIR, F.L.M.I.
Group Underwriting Officer
MISS MARION E. WILLIAMS, F.L.M.I.
Underwriting Officer
GEORGE C. WILSON, C.A., F.L.M.I.
Assistant Comptroller

ANTHONY F. HOPPER
Special Projects Officer

W. NICHOLAS ANDERTON, F.I.A.
Associate Resident Actuary
MISS ELIZABETH F. HOGG
Personnel and Training Officer

RONALD F. AGATE
Assistant Administrative Officer

GEORGE LAWTON
Superintendent of Field Training
CECIL W. WARD
Resident Director of Agencies
ERIC R. PATON
Superintendent of Agencies
DAVID G. PETERS, A.C.I.S., A.C.I.I.
Administrative Officer
PETER C. N. POOLMAN, F.C.I.I.
Superintendent of Agencies
WILLIAM A. FOOTE
Assistant Administrative Officer
ALAN J. JOHNSTON, M.I.O.M., (Dip)
Systems and Planning Officer

GEORGE K. C. RETTIE, M.D.
Medical Officer

MICHAEL C. SPILLMAN
Superintendent of Agencies
ROGER H. A. WAIN
Resident Associate Treasurer

WALLACE LAW, F.I.A.
Assistant Resident Actuary

Principal Imperial Life Offices

HEAD OFFICE Imperial Life Building
 95 St. Clair Avenue West, Toronto, Canada M4V 1N7

Branch Offices in Canada (Locations and Managers)

| | | | | | |
|-----------------------|-----------|----------------------------|----------------------|-----------|----------------------------|
| BARRIE, ONT. | - - - - - | W. J. Miller | OSHAWA, ONT. | - - - - - | H. W. Killam, C.L.U. |
| BRANDON, MAN. | - - - - - | H. G. Hicks, C.L.U. | OTTAWA, ONT. | - - - - - | G. J. G. Arnold |
| CALGARY, ALTA. | - - - - - | R. D. McCorquodale, C.L.U. | PENTICTON, B.C. | - - - - - | W. H. Gerwing |
| CHANDLER, QUE. | - - - - - | P.-E. Levesque | QUEBEC, QUE. | - - - - - | C. S. Gourdeau, C.L.U. |
| CHARLOTTETOWN, P.E.I. | - - - - - | W. H. Tomilson | REGINA, SASK. | - - - - - | J. M. Kane, C.L.U. |
| EDMONTON, ALTA. | - - - - - | C. C. Kuhnke | RIMOUSKI, QUE. | - - - - - | L. Couture |
| HALIFAX, N.S. | - - - - - | W. L. Charlton | ST. CATHARINES, ONT. | - - - - - | R. A. Newton, C.L.U. |
| HAMILTON, ONT. | - - - - - | W. S. Lillie, C.L.U. | ST. JOHN'S, NFLD. | - - - - - | C. V. LeMessurier |
| KINGSTON, ONT. | - - - - - | E. W. Stewart-Normans | SASKATOON, SASK. | - - - - - | W. J. Franz, C.L.U. |
| KITCHENER, ONT. | - - - - - | H. W. Lippel | SHERBROOKE, QUE. | - - - - - | G. Fontaine |
| LONDON, ONT. | - - - - - | J. B. Glover, C.L.U. | THETFORD MINES, QUE. | - - - - - | D. L. Comtois |
| MONCTON, N.B. | - - - - - | D. B. MacKay, C.L.U. | TORONTO, ONT. | - - - - - | J. M. Ferguson, C.L.U. |
| MONTREAL, QUE. | - - - - - | G. W. Johnson, C.L.U. | TORONTO, ONT. | - - - - - | F. E. Murphy, C.L.U. |
| MONTREAL, QUE. | - - - - - | R. V. Roberts, C.L.U. | TORONTO, ONT. | - - - - - | F. D. Palmer, C.L.U. |
| MONTREAL, QUE. | - - - - - | E. W. Tobin, C.L.U. | TORONTO, ONT. | - - - - - | G. A. Wilson, C.L.U. |
| MONTREAL, QUE. | - - - - - | J. G. G. Lefebvre | VANCOUVER, B.C. | - - - - - | J. A. C. MacIntosh, C.L.U. |
| NORTH BAY, ONT. | - - - - - | H. K. Kay, C.L.U. | VICTORIA, B.C. | - - - - - | D. A. B. Hall, C.L.U. |
| | | | WINNIPEG, MAN. | - - - - - | W. H. Kamineski |

Sales Offices in Canada

BRITISH COLUMBIA, Kamloops, Prince George; SASKATCHEWAN, Prince Albert; ONTARIO, Belleville, Brockville, Chatham, Kirkland Lake, Niagara Falls, Peterborough, Sarnia, Stratford, Sudbury, Thunder Bay, Welland, Windsor, Woodstock; QUEBEC, Levis; NEW BRUNSWICK, Saint John; NOVA SCOTIA, Sydney; NEWFOUNDLAND, Corner Brook.

Group Insurance Offices in Canada

| | | | | | |
|----------------|-----------|--------------------------------|-----------------|-----------|-----------------------|
| CALGARY, ALTA. | - - - - - | B. J. Entwistle, C.L.U. | TORONTO, ONT. | - - - - - | D. R. Eadie, C.L.U. |
| MONTREAL, QUE. | - - - - - | G. P. Nolin, C.L.U. | TORONTO, ONT. | - - - - - | J. T. Wilkins, C.L.U. |
| MONTREAL, QUE. | - - - - - | K. M. Sopora, C.L.U., F.L.M.I. | VANCOUVER, B.C. | - - - - - | D. G. Emo, C.L.U. |

Also Group Insurance Sales Offices in Ottawa, Ont., Windsor, Ont., Winnipeg, Man.

Mortgage Offices in Canada

| | | | | | |
|-----------------|-----------|-----------------|-----------------|-----------|----------------------------------|
| CALGARY, ALTA. | - - - - - | R. R. Rowland | QUEBEC, QUE. | - - - - - | J. Castonguay |
| KITCHENER, ONT. | - - - - - | F. W. Coffin | TORONTO, ONT. | - - - - - | D. M. Johnston, A.A.C.I., S.R.A. |
| MONTREAL, QUE. | - - - - - | R. Cusson, E.A. | VANCOUVER, B.C. | - - - - - | K. K. Jerome, A.A.C.I., M.A.I. |

Branch Offices in U.S.A.

| | | | | | |
|---------------------|-----------|-------------------|----------------------|-----------|--------------|
| CLEVELAND, OHIO | - - - - - | L. G. Donald, Jr. | SAN DIEGO, CALIF. | - - - - - | R. F. Baxter |
| EAST LANSING, MICH. | - - - - - | L. J. Cook | SAN JOSE, CALIF. | - - - - - | R. H. Miner |
| FLINT, MICH. | - - - - - | J. A. Vierheilig | SOUTHFIELD, MICH. | - - - - - | J. D. Kelly |
| ORANGE, CALIF. | - - - - - | W. H. Wilson | WALNUT CREEK, CALIF. | - - - - - | R. P. Peirce |

Branch and Sales Offices in the South

| | | | | | |
|-------------------|-----------|-------------------------|-------------------------|-------|----------------|
| KINGSTON, JAMAICA | - - - - - | S. A. Balfour, A.C.I.I. | PORT-OF-SPAIN, TRINIDAD | - - - | C. F. C. Rooks |
| NASSAU, BAHAMAS | - - - - - | J. W. Pinder | SAN FERNANDO, TRINIDAD | | |

Regional Offices

| | | |
|--------------------------|---|------------|
| QUEBEC REGION (MONTREAL) | - | E. G. Pare |
| SOUTHERN REGION (NASSAU) | - | D. Holland |

Imperial Life Offices in Great Britain

CHIEF OFFICE Imperial Life House
London Road
Guildford, Surrey GU1 1TA

Branch Offices (Locations and Managers)

| | | | | | |
|--------------------|-----------|---------------------|-------------|-----------|-------------------|
| BIRMINGHAM | - - - - - | R. E. Bennett | LONDON | - - - - - | G. H. King |
| CARDIFF | - - - - - | B. J. Cross | LONDON | - - - - - | B. A. Lane |
| CROYDON | - - - - - | C. C. Myers | LONDON | - - - - - | D. S. Lee |
| GLASGOW | - - - - - | C. D. H. MacLean | LONDON | - - - - - | B. Roden |
| HOVE | - - - - - | J. C. Ager | LONDON | - - - - - | D. Schiff |
| KINGSTON-ON-THAMES | - - - | R. A. Knox-Johnston | MANCHESTER | - - - - - | G. Ratcliffe |
| LEEDS | - - - - - | P. A. Dodds | NORTHAMPTON | - - - - - | P. B. Bowring |
| LEICESTER | - - - - - | N. G. Ruddock-Brown | NOTTINGHAM | - - - - - | O. S. Tame |
| LIVERPOOL | - - - - - | D. G. Kearon | OXFORD | - - - - - | J. E. Barlow |
| LONDON | - - - - - | C. H. H. Barnett | PLYMOUTH | - - - - - | A. H. Evans |
| LONDON | - - - - - | B. G. Cook | ST. ALBANS | - - - - - | C. G. Buzzacott |
| LONDON | - - - - - | P. N. Crookenden | SIDCUP | - - - - - | C. W. M. Frampton |
| LONDON | - - - - - | A. Csaky | SOUTHAMPTON | - - - - - | J. F. Wilson |
| LONDON | - - - - - | J. A. Jacobs | WEMBLEY | - - - - - | C. Burman |

Group Insurance Office

| | | |
|--------|-----------|------------|
| LONDON | - - - - - | P. J. West |
|--------|-----------|------------|



The Annual Meeting of the Company is held at 2.30 p.m. on the third Wednesday in March. Each person who has contracted for and holds a participating policy may attend and vote in person or by proxy at meetings of the Company. Proxy forms may be obtained on written request to the Secretary.

